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Message Text

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PAGE 01 QUITO 05426 302033Z

67
ACTION ARA-10

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

ACDA-07 FEA-01 JUSE-00 PA-01 PRS-01 CG-00 DOTE-00

FMC-01 DLOS-06 /103 W
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O R 302000Z JUL 76
FM AMEMBASSY QUITO
TO SECSTATE WASHDC IMMEDIATE 1021
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 5426

E.O. 11652: GDS
TAGS: ENRG EC
SUBJ: LOCAL PAPERS REPLAY US ARTICLES RE RUTH SHIPMENT; VARGAS DENIES OFFICIAL KNOWLEDGE OF SUIT

REF: QUITO 5212

1. SUMMARY: ECUADOREAN NEWPAPERS JULY 29 AND 30 CARRIED REPLAYS OF US ARTICLES REGARDING "EMBARGO" OF TANKER RUTH. MINISTER OF NATURAL RESOURCES VARGAS DENIED OFFICIAL KNOWLEDGE OF RUTH SUIT JULY 29. THERE HAS BEEN ONLY ONE EDITORIAL TO DATE BUT MORE ARE TO BE EXPECTED. END SUMMARY.

2. "EL UNIVERSO," ECUADOR'S LARGEST CIRCULATION DAILY IN ECUADOR, CARRIED SPANISH-LANGUAGE TRANSLATIONS OF "LOS ANGELES TIMES" ARTICLE OF JULY 18 AND "WALL STREET JOURNAL" ARTICLE OF JULY 19 ON GULF SUIT AGAINST ATLANTIC RICHFIELD TO CLAIM HALF OF THE PROCEEDS OF CEPE TANKER RUTH. ARTICLE STATES THAT, PRIOR TO THE FILING OF THE SUIT, TEXACO AND CONFIDENTIAL

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GULF" THREATENED" THE MINISTRY OF NATURAL RESOUCES WITH AN

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"EMBARGO." ACCORDING TO THE ARTICLE, THE MINISTRY RESPONDED JUNE 21 TO THE COMPANIES CITING A DECREE OBLIGING THE COMPANIES TO PRODUCE A CERTAIN AMOUNT, AND DUE TO PRODUCTION SHORTFALL TEXACO-GULF NOW OWES CEPE MORE THAN TWO MILLION BARRELS.

3. MINISTER OF NATURAL RESOURCES RENE VARGAS ON JULY 29 DENIED OFFICIAL KNOWLEDGE OF THE RUTH SUTI. HIS STATEMENT WAS REPORTED IN PRESTIGIOUS QUITY DAILY "EL COMERCIO," WHICH ALSO REPRINTED INFORMATION FROM THE "EL UNIVERSO" ARTICLE.

4. "EXPRESO," A LOW-CIRCULATION GUAYAQUIL DAILY, IS TO DATE THE ONLY NEWSPAPER TO CARRY AN EDITORIAL REGARDING THE RUTH SUIT, ALTHOUGH GUAYAQUIL COLUMNIST ALFREDO PINOARGOTE (REF) ON JULY 21 ATTACKED GOE SILENCE ON THE RUTH AFFAIR."EXPRESO" ON JULY 30 CALLED GULF'S ACTION "AN EMBARGO TO OBSTRUCT CEPE MARKETING IN THEUS" AND CLAIMED THAT THE BASES OF THE SUIT "ARE COMPLETELY FALSE AND EXEMPLIFY GULF'S UNWILLING-NESS TO COMPLY WITH ITS CONTRACT TERMS." "EXPRESO" CONCLUDED THAT THE GOVERNMENT MUST TAKE "SEVERE STEPS TO CONTROL ACTIVITIES PREJUDICIAL TO OUR SOVEREIGNTY AND LEGITIMATE NATIONAL ASPIRATIONS."

5. COMMENT: EMBASSY EXPECTS EDITORIAL CRITICISM OF GULF SUIT TO SNOWBALL. THE MINISTER'S OFFICIAL DENIAL WILL DO LITTLE TO ALLAY SUSPICIONS ABOUT MUTINATIONAL CORPORATIONS' "EXPLOITATION" OF ECUADOREAN RESOURCES. MORE SERIOUS DANGER, HOWEVER, LIES IN POSSIBLE LOCAL LEAKS OF GULF'S SUSPENSION OF DEPOSIT PAYMENTS. PUBLIC OUTCRY ON THIS ISSUE, IN ADDITION GO GHD FUGH SUIT, WOULD PUT IMMENSE PRESSURE ON THE GOVERNMENT TO TAKE STRONG ACTION AGAINST GULF.
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